

KEOKUK COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

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# Keokuk Community School District

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2007 Election)</b>		
Jim Vandenberg	President	2007
Sandy Stark	Vice President	2008
Dave Barrett	Board Member	2007
Brent Gatton	Board Member	2007
Brian Richardson	Board Member	2007
Tyler McHughy	Board Member	2009
Julia Logan	Board Member	2009
<b>Board of Education (After September 2007 Election)</b>		
Wilson Davis Jr.	President	2009
Sandy Stark	Vice President	2008
Bruce Dunek	Board Member	2008
Tyler McHughy	Board Member	2009
Julia Logan	Board Member	2009
Tom Gardner	Board Member	2010
Brent Gatton	Board Member	2010
<b>School Officials</b>		
Jane Babcock	Superintendent	2008
Greg Reynolds	District Secretary/Treasurer and Business Manager	2008
Nyemaster, Goode, Voigts, West, Hansell & O'Brien, P.C.	Attorney	2008
Dorsey & Whitney, LLP	Attorney	2008
James F. Dennis	Attorney	2008

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Keokuk Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Keokuk Community School District, Keokuk, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Keokuk Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

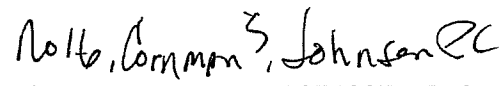
In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2009 on our consideration of Keokuk Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

Members American Institute & Iowa Society of Certified Public Accountants

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Keokuk Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for eight years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Keokuk Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$19,512,242 in fiscal 2007 to \$20,411,274 in fiscal 2008, while General Fund expenditures increased from \$18,706,203 in fiscal 2007 to \$20,285,791 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$4,791,766 in fiscal 2007 to a balance of \$4,917,249 in fiscal 2008, a 2.62% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state grant revenue in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.
- Capital expenditures of \$450,759 were made in fiscal 2008 to completion of the remodeling of the high school kitchen, several computers, and the purchase three vans. Other projects included the weight room project and start of the building addition project for the George Washington Elementary.
- The School Nutrition Fund provides services to the Midwest Academy consisting of three meals a day for each student attending. The District is closely monitoring this fund balance to ensure that chargeable costs are appropriate.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Keokuk Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Keokuk Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Keokuk Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Keokuk Community School District Annual Financial Report**

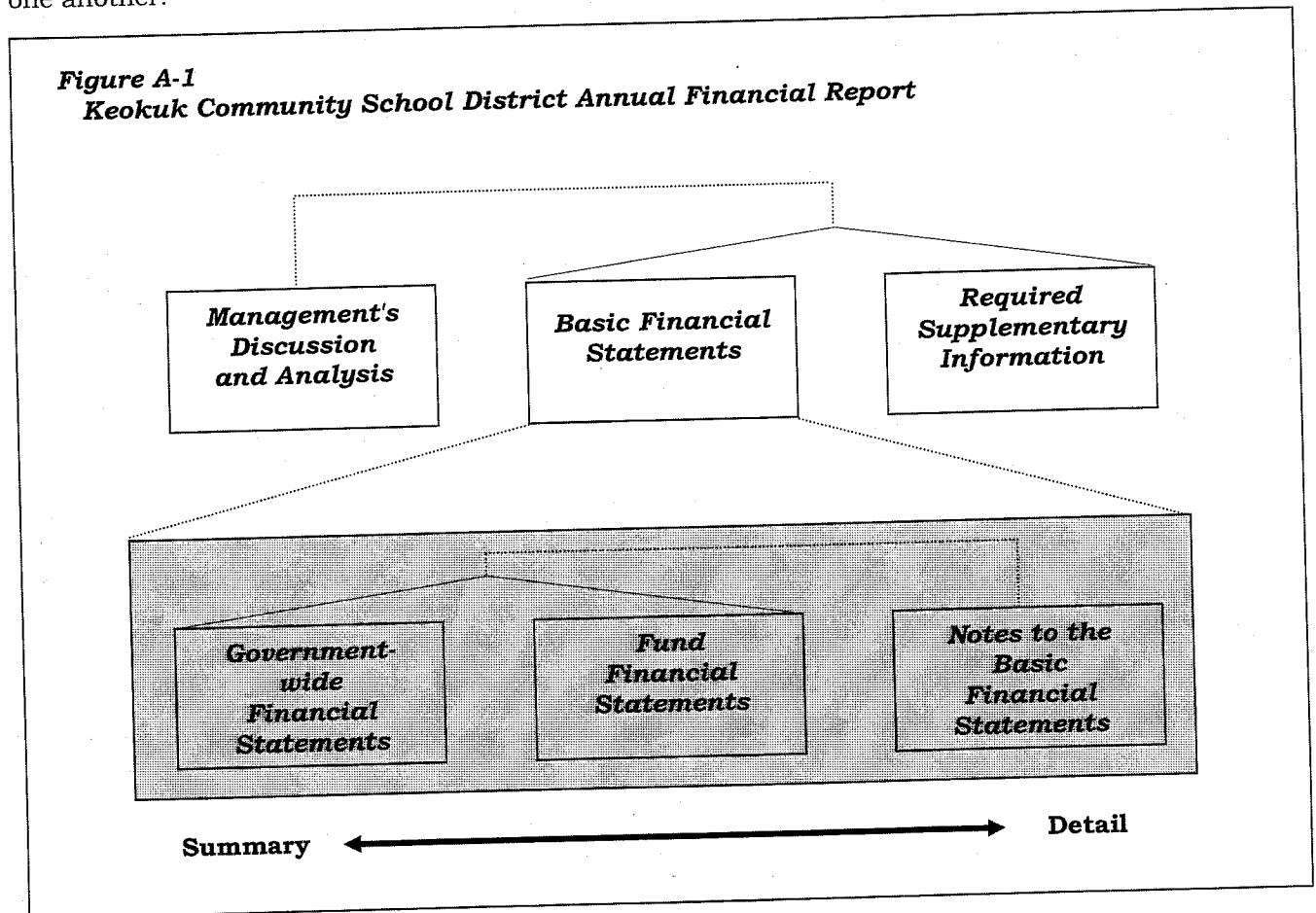


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust fund.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 13,779,314	13,078,706	452,887	987,325	14,232,201	14,066,031	1.18%
Capital assets	19,077,695	19,552,628	631,832	349,021	19,709,527	19,901,649	-0.97%
Total assets	32,857,009	32,631,334	1,084,719	1,336,346	33,941,728	33,967,680	-0.08%
Long-term obligations	7,654,383	8,897,788	0	0	7,654,383	8,897,788	-13.97%
Other liabilities	6,218,199	6,209,600	18,093	15,363	6,236,292	6,224,963	0.18%
Total liabilities	13,872,582	15,107,388	18,093	15,363	13,890,675	15,122,751	-8.15%
Net assets:							
Invested in capital assets, net of related debt	12,597,299	11,804,802	631,832	349,021	13,229,131	12,153,823	8.85%
Restricted	2,527,529	1,937,001	0	0	2,527,529	1,937,001	30.49%
Unrestricted	3,859,599	3,782,143	434,794	971,962	4,294,393	4,754,105	-9.67%
Total net assets	\$ 18,984,427	17,523,946	1,066,626	1,320,983	20,051,053	18,844,929	6.40%

The District's combined net assets increased by 6.40% or \$1,206,124 over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$590,528 or 30.49% over the prior year. The increase was primarily a result the increase in the Capital Projects fund balance.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$459,712 or 9.67%. This decrease in unrestricted net assets was a result of the District's purchase of equipment in the School Nutrition Fund reducing the unrestricted balance in the business-type activities.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 809,058	665,635	837,965	900,478	1,647,023	1,566,113	5.17%
Operating grants and contributions and restricted interest	3,782,247	3,482,624	544,369	550,289	4,326,616	4,032,913	7.28%
Capital grants and contributions and restricted interest	12,428	231,628	0	0	12,428	231,628	-94.63%
General revenues:							
Property tax	5,990,912	6,117,643	0	0	5,990,912	6,117,643	-2.07%
Local option sales and service tax	1,615,803	1,737,452	0	0	1,615,803	1,737,452	-7.00%
Unrestricted state grants	11,089,409	10,690,223	0	0	11,089,409	10,690,223	3.73%
Other	348,649	413,780	21,276	46,898	369,925	460,678	-19.70%
Total revenues	23,648,506	23,338,985	1,403,610	1,497,665	25,052,116	24,836,650	0.87%
Program expenses:							
Governmental activities:							
Instructional	14,149,474	12,337,763	0	0	14,149,474	12,337,763	14.68%
Support services	6,041,985	5,692,254	13,290	26,078	6,055,275	5,718,332	5.89%
Non-instructional programs	445,944	541,631	1,644,677	1,645,647	2,090,621	2,187,278	-4.42%
Other expenses	1,550,622	1,715,641	0	0	1,550,622	1,715,641	-9.62%
Total expenses	22,188,025	20,287,289	1,657,967	1,671,725	23,845,992	21,959,014	8.59%
Changes in net assets	1,460,481	3,051,696	(254,357)	(174,060)	1,206,124	2,877,636	-58.09%
Net assets beginning of year	17,523,946	14,472,250	1,320,983	1,495,043	18,844,929	15,967,293	18.02%
Net assets end of year	\$ 18,984,427	17,523,946	1,066,626	1,320,983	20,051,053	18,844,929	6.40%

In fiscal 2008, property tax, local option sales and services tax and unrestricted state grants account for 79.06% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.48% of the revenue from business-type activities.

The District's total revenues were \$25,052,116 of which \$23,648,506 was for governmental activities and \$1,403,610 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a .87% increase in revenues and a 8.59% increase in expenses. Unrestricted state grants increased by \$399,186 to fund increases in expenditures. The increases in expenses were related to increases in negotiated salaries and benefits expenses.

### Governmental Activities

Revenues for governmental activities were \$23,648,506 and expenses were \$22,188,025.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 14,149,474	12,337,763	14.68%	10,641,479	9,590,161	10.96%
Support services	6,041,985	5,692,254	6.14%	6,010,726	5,605,359	7.23%
Non- instructional programs	445,944	541,631	-17.67%	169,422	(12,098)	-1500.41%
Other expenses	1,550,622	1,715,641	-9.62%	762,665	723,980	5.34%
Total	<u>\$ 22,188,025</u>	<u>20,287,289</u>	<u>9.37%</u>	<u>17,584,292</u>	<u>15,907,402</u>	<u>10.54%</u>

- The cost financed by users of the District's programs was \$809,058.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,794,675.
- The net cost of governmental activities was financed with \$5,990,912 in property tax, \$1,615,803 in local option sales and service tax, \$11,089,409 in unrestricted state grants, \$277,441 in interest income and \$71,208 in other general revenues.

### Business-Type Activities

Revenues of the District's business-type activities were \$1,403,610 and expenses were \$1,657,967. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Keokuk Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$7,580,923, compared to last year's ending fund balances of \$6,892,839. However, the primary reason for the increase was the increase in the Capital Projects Fund balance.

### Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors.
  - Total revenues were greater than total expenditures ensuring the increase in the financial position of the District.
  - In spite of the increase in revenues, the District actually received \$495,684 less in federal sources during fiscal 2008. The increases came from receiving more in local tax and state grant sources during the year.
  - Instructional expenditures increased \$1,455,107 in FY08. A portion of this increase is due to the increases in the employees salaries and benefits.
- The Capital Projects fund balance increased to \$1,904,006 during the current year. Expenditures decreased as construction on the high school kitchen was completed. The balance will be used to finance the George Washington Elementary Roofing Project and will also be used to complete the Fitness Center addition at the High School.

- 
- The Debt Service fund balance increased to \$115,481 during the current year. The district is repaying bonds that were issued in past years.

### **Proprietary Fund Highlights**

As discussed earlier, the School Nutrition Fund net assets decreased \$254,357. The change in net assets associated with the serving of the District's students was minimal.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Keokuk Community School District amended its annual budget one time to reflect expenditures associated with the increases in instruction costs.

The District's revenues were \$753,365 more than budgeted revenues, a variance of 3.10%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget exceeded in the instruction function due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2008, the District had invested \$19,709,527, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of .97% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$886,392.

The original cost of the District's capital assets was \$32,898,770. Governmental funds account for \$31,973,406 with the remainder of \$925,364 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$16,823,539 at June 30, 2008, compared to \$17,163,151 reported at June 30, 2007. This decrease resulted from the current year depreciation.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 902,602	902,602	0	0	902,602	902,602	0.00%
Construction in progress	33,314	109,124	0	0	33,314	109,124	-69.47%
Buildings	16,823,539	17,163,151	0	0	16,823,539	17,163,151	-1.98%
Land improvements	403,655	435,189	0	0	403,655	435,189	-7.25%
Machinery and equipment	914,585	942,562	631,832	349,021	1,546,417	1,291,583	19.73%
Total	\$ 19,077,695	19,552,628	631,832	349,021	19,709,527	19,901,649	-0.97%

### Long-Term Debt

At June 30, 2008, the District had long-term debt outstanding of \$7,654,383 in general obligation bonds, revenue bonds and other long-term debt. This represents a decrease of 13.97% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$5,805,000 at June 30, 2008.

The District also had outstanding Revenue Bonds payable from the Capital Projects Fund of \$675,396 at June 30, 2008.

The District had outstanding early retirement payable from the Special Revenue, Management Fund of \$1,020,106 at June 30, 2008.

The District had outstanding compensated absences payable from the General Fund of \$153,881 at June 30, 2008.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 5,805,000	6,240,000	-6.97%
Revenue bonds	675,396	1,507,826	-55.21%
Early retirement	1,020,106	987,669	3.28%
Compensated absences	153,881	162,293	-5.18%
Total	\$ 7,654,383	8,897,788	-13.97%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced an increase in enrollment the past few years; however, the trend is not expected to continue. The October 2007 count resulted in a decrease of 23.7 students or 1.02%, which will affect the funding received by the District in the 2007-08 fiscal year.

- 
- Funding for the District's before and after school program has been received from Federal and State Grants. The grants for this program have been completed. The future of this program is depended upon the District's ability to fund this through alternative sources.
  - Low allowable growth over several years and enrollment trends impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
  - Continued budget concerns at state level will affect future projections. The District has experienced a decline in taxable valuations in recent years and has forced a shift in funding between state aid and property taxes.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gregory Reynolds, District Board Secretary/Business Manager, Keokuk Community School District, 727 Washington Street, Keokuk, Iowa, 52632.

## BASIC FINANCIAL STATEMENTS



KEOKUK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 6,594,220	352,516	6,946,736
Receivables:			
Property tax:			
Delinquent	94,519	0	94,519
Succeeding year	5,950,798	0	5,950,798
Interfund	(620)	620	0
Accounts	6,832	91,841	98,673
Due from other governments	1,133,565	389	1,133,954
Inventories	0	7,521	7,521
Capital assets, net of accumulated depreciation (Note 5)	19,077,695	631,832	19,709,527
<b>Total Assets</b>	<b>32,857,009</b>	<b>1,084,719</b>	<b>33,941,728</b>
<b>Liabilities</b>			
Accounts payable	211,767	5,923	217,690
Interest payable	19,808	0	19,808
Bond principal due and unpaid	25,000	0	25,000
Bond interest due and unpaid	4,238	0	4,238
Deferred revenue:			
Succeeding year property tax	5,950,798	0	5,950,798
Other	6,588	0	6,588
Unearned revenue	0	12,170	12,170
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds	445,000	0	445,000
Revenue bonds	576,089	0	576,089
Early retirement	309,730	0	309,730
Compensated absences	153,881	0	153,881
Portion due after one year:			
General obligation bonds	5,360,000	0	5,360,000
Revenue bonds	99,307	0	99,307
Early retirement	710,376	0	710,376
<b>Total Liabilities</b>	<b>13,872,582</b>	<b>18,093</b>	<b>13,890,675</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	12,597,299	631,832	13,229,131
Restricted for:			
Talanted and gifted	10,106	0	10,106
Beginning teacher mentoring	1,504	0	1,504
Market factor	14,831	0	14,831
Non-public textbook	2,835	0	2,835
Statewide voluntary preschool	44,387	0	44,387
Professional development	42,482	0	42,482
Market factor incentives	14,589	0	14,589
Debt service	115,481	0	115,481
Capital projects	1,904,006	0	1,904,006
Physical plant and equipment levy	273,477	0	273,477
Other special revenue purposes	103,831	0	103,831
Unrestricted	3,859,599	434,794	4,294,393
<b>Total Net Assets</b>	<b>\$ 18,984,427</b>	<b>1,066,626</b>	<b>20,051,053</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular instruction	\$ 8,406,715	240,002	2,578,929	0	(5,587,784)	0
Special instruction	3,522,222	37,120	131,588	0	(3,353,514)	0
Other instruction	2,220,537	520,356	0	0	(1,700,181)	0
	14,149,474	797,478	2,710,517	0	(10,641,479)	0
Support services:						
Student services	806,624	0	0	0	(806,624)	0
Instructional staff services	453,331	0	0	0	(453,331)	0
Administration services	2,259,292	0	0	0	(2,259,292)	0
Operation and maintenance of plant services	1,912,399	0	0	12,428	(1,899,971)	0
Transportation services	610,339	11,570	7,261	0	(591,508)	0
	6,041,985	11,570	7,261	12,428	(6,010,726)	0
Non-instructional program:						
Community service and education operations	445,944	10	276,512	0	(169,422)	0
Other expenditures:						
Long-term debt interest	265,454	0	0	0	(265,454)	0
AEA flowthrough	787,957	0	787,957	0	0	0
Depreciation (unallocated)*	497,211	0	0	0	(497,211)	0
	1,550,622	0	787,957	0	(762,665)	0
Total governmental activities	22,188,025	809,058	3,782,247	12,428	(17,584,292)	0
Business-type activities:						
Support services:						
Operation and maintenance of plant services	13,290	0	0	0	0	(13,290)
Non-instructional programs:						
Food service operations	1,644,677	837,965	544,369	0	0	(262,343)
Total business-type activities	1,657,967	837,965	544,369	0	0	(275,633)
<b>Total</b>	<b>\$ 23,845,992</b>	<b>1,647,023</b>	<b>4,326,616</b>	<b>12,428</b>	<b>(17,584,292)</b>	<b>(275,633)</b>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 5,478,324	0	5,478,324
Debt service				396,416	0	396,416
Capital outlay				116,172	0	116,172
Local option sales and service tax				1,615,803	0	1,615,803
Unrestricted state grants				11,089,409	0	11,089,409
Unrestricted investment earnings				277,441	21,276	298,717
Other general revenues				71,208	0	71,208
<b>Total general revenues</b>				<b>19,044,773</b>	<b>21,276</b>	<b>19,066,049</b>
<b>Changes in net assets</b>				<b>1,460,481</b>	<b>(254,357)</b>	<b>1,206,124</b>
<b>Net assets beginning of year</b>				<b>17,523,946</b>	<b>1,320,983</b>	<b>18,844,929</b>
<b>Net assets end of year</b>				<b>\$ 18,984,427</b>	<b>1,066,626</b>	<b>20,051,053</b>

\* This amount excludes the depreciation that is included in the direct expense of various programs.  
SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments	\$ 4,185,012	1,623,450	138,212	647,546	6,594,220
Receivables:					
Property tax					
Delinquent	77,843	0	6,507	10,169	94,519
Succeeding year	4,869,690	0	385,163	695,945	5,950,798
Accounts	6,537	0	0	295	6,832
Due from other governments	852,964	280,556	0	45	1,133,565
<b>Total Assets</b>	<b>\$ 9,992,046</b>	<b>1,904,006</b>	<b>529,882</b>	<b>1,354,000</b>	<b>13,779,934</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Interfund payable	\$ 620	0	0	0	620
Accounts payable	197,899	0	0	13,868	211,767
Bond principal due and unpaid	0	0	25,000	0	25,000
Bond interest due and unpaid	0	0	4,238	0	4,238
Deferred revenue:					
Succeeding year property tax	4,869,690	0	385,163	695,945	5,950,798
Other	6,588	0	0	0	6,588
Total liabilities	5,074,797	0	414,401	709,813	6,199,011
Fund balances:					
Reserved for:					
Debt service	0	0	115,481	0	115,481
Talanted and gifted	10,106	0	0	0	10,106
Beginning teacher mentoring	1,504	0	0	0	1,504
Market factor	14,831	0	0	0	14,831
Non-public textbook	2,835	0	0	0	2,835
Statewide voluntary preschool	44,387	0	0	0	44,387
Professional development	42,482	0	0	0	42,482
Market factor incentives	14,589	0	0	0	14,589
Unreserved:					
General	4,786,515	0	0	0	4,786,515
Capital projects	0	1,904,006	0	0	1,904,006
Management levy	0	0	0	266,879	266,879
Student activity	0	0	0	103,831	103,831
Physical plant and equipment levy	0	0	0	273,477	273,477
Total fund balances	4,917,249	1,904,006	115,481	644,187	7,580,923
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,992,046</b>	<b>1,904,006</b>	<b>529,882</b>	<b>1,354,000</b>	<b>13,779,934</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

Total fund balances of governmental funds (page 16) \$ 7,580,923

*Amounts reported for governmental activities in the  
statement of net assets are different because:*

Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported as  
assets in in the governmental funds. 19,077,695

Accrued interest payable in long-term liabilities is not  
due and payable in the current period and, therefore,  
is not reported as a liability in the governmental funds. (19,808)

Long-term liabilities, including bonds payable, compensated  
absences payable, and early retirement are not due and  
payable in the current period and, therefore, are not  
reported as liabilities in the governmental funds. (7,654,383)

Net assets of governmental activites (page 14) \$ 18,984,427

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 4,952,680	1,615,803	396,416	641,816	7,606,715
Tuition	245,438	0	0	0	245,438
Other	363,175	53,997	9,967	542,514	969,653
Intermediate sources	178,312	0	0	0	178,312
State sources	13,397,397	0	0	0	13,397,397
Federal sources	1,250,991	0	0	0	1,250,991
Total revenues	20,387,993	1,669,800	406,383	1,184,330	23,648,506
Expenditures:					
Current:					
Instruction:					
Regular instruction	8,168,375	0	0	296,242	8,464,617
Special instruction	3,522,222	0	0	0	3,522,222
Other instruction	1,727,734	0	0	477,922	2,205,656
	13,418,331	0	0	774,164	14,192,495
Support services:					
Student services	775,847	0	0	0	775,847
Instructional staff services	496,602	0	0	0	496,602
Administration services	2,187,588	0	5,830	50,020	2,243,438
Operation and maintenance of plant services	1,695,018	0	0	165,672	1,860,690
Transportation services	478,504	0	0	50,466	528,970
	5,633,559	0	5,830	266,158	5,905,547
Non-instructional programs:					
Community service and education operations	445,944	0	0	0	445,944
	445,944	0	0	0	445,944
Other expenditures:					
Facilities acquisitions	0	46,338	0	68,613	114,951
Long-term debt:					
Principal	0	0	1,267,430	0	1,267,430
Interest and fiscal charges	0	0	269,379	0	269,379
AEA flowthrough	787,957	0	0	0	787,957
	787,957	46,338	1,536,809	68,613	2,439,717
Total expenditures	20,285,791	46,338	1,542,639	1,108,935	22,983,703
Excess(deficiency) of revenues over(under) expenditures	102,202	1,623,462	(1,136,256)	75,395	664,803
Other financing sources(uses):					
Transfers in	0	0	1,147,466	3,071	1,150,537
Transfers out	0	(1,147,466)	0	(3,071)	(1,150,537)
Proceeds from the disposal of property	23,281	0	0	0	23,281
Total other financing sources(uses)	23,281	(1,147,466)	1,147,466	0	23,281
Net change in fund balances	125,483	475,996	11,210	75,395	688,084
Fund balance beginning of year	4,791,766	1,428,010	104,271	568,792	6,892,839
Fund balance end of year	\$ 4,917,249	1,904,006	115,481	644,187	7,580,923

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ 688,084

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlays expenditures, depreciation expense and loss on disposal of assets in the current year, as follows:

Capital expenditures	\$ 450,759	
Depreciation expense	(811,774)	
Loss on disposal of assets	(113,918)	(474,933)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 1,267,430

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,925

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement	\$ (32,437)	
Compensated absences	8,412	(24,025)

Changes in net assets of governmental activities (page 15) \$ 1,460,481

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2008

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 352,516
Interfund receivable	620
Accounts receivable	91,841
Due from other governments	389
Inventories	7,521
Capital assets, net of accumulated depreciation(Note 5)	631,832
<b>Total Assets</b>	<u>1,084,719</u>
<b>Liabilities</b>	
Accounts payable	5,923
Unearned revenues	12,170
<b>Total Liabilities</b>	<u>18,093</u>
<b>Net Assets</b>	
Invested in capital assets	631,832
Unrestricted	434,794
<b>Total Net Assets</b>	<u><u>\$ 1,066,626</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ 837,965
Total operating revenues	<u>837,965</u>
Operating expenses:	
Support services:	
Operation and maintenance of plant services:	
Services	3,555
Supplies	9,735
	<u>13,290</u>
Non-instructional programs:	
Food service operations:	
Salaries	491,549
Benefits	166,903
Services	4,899
Supplies	906,708
Depreciation	74,618
	<u>1,644,677</u>
Total operating expenses	<u>1,657,967</u>
Operating loss	<u>(820,002)</u>
Non-operating revenues:	
State sources	9,340
Federal sources	535,029
Interest income	21,276
Total non-operating revenues	<u>565,645</u>
Change in net assets	(254,357)
Net assets beginning of year	<u>1,320,983</u>
Net assets end of year	<u>\$ 1,066,626</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



KEOKUK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 846,194
Cash received from miscellaneous operating activities	15,764
Cash payments to employees for services	(658,452)
Cash payments to suppliers for goods or services	(875,987)
Net cash used in operating activities	<u>(672,481)</u>
Cash flows from non-capital financing activities:	
Interfund loan received from the General Fund	49,336
State grants received	9,340
Federal grants received	481,851
Net cash provided by non-capital financing activities	<u>540,527</u>
Cash flows from investing activities:	
Interest on investments	21,276
Net cash provided by investing activities	<u>21,276</u>
Cash flows from capital financing activities:	
Purchase of assets	(357,429)
Net cash used in financing activities	<u>(357,429)</u>
Net decrease in cash and cash equivalents	(468,107)
Cash and cash equivalents at beginning of year	<u>820,623</u>
Cash and cash equivalents at end of year	<u><u>\$ 352,516</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (820,002)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	52,789
Depreciation	74,618
Increase in inventories	(3,997)
Decrease in accounts receivables	21,381
Increase in accounts payable	118
Increase in unearned revenue	2,612
Net cash used in operating activities	<u><u>\$ (672,481)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u><u>\$ 352,516</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$52,789.  
SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2008

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarships</u>
<b>Assets</b>	
Cash and pooled investments	<u>\$ 105,087</u>
<b>Liabilities</b>	<u>0</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>\$ 105,087</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarships</u>
ADDITIONS:	
Local sources:	
Gifts and contributions	\$          834
Interest income	4,010
TOTAL ADDITIONS	<u>4,844</u>
DEDUCTIONS:	
Instruction:	
Regular instruction:	
Scholarship awarded	<u>3,918</u>
Change in net assets	926
Net assets beginning of year	<u>104,161</u>
Net assets end of year	<u>\$         105,087</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Keokuk Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Keokuk, Iowa, and the predominate agricultural territory in Lee Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Keokuk Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Keokuk Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Lee County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition of capital facilities.

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary funds:

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is as follows:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board

Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on

January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized



since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the instruction function exceeded the amount budgeted.

#### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	<u>\$ 6,837,052</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

### (3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 1,147,466
Special Revenue, Physical Plant and Equipment Levy	Special Revenue, Schoolhouse 67.5	<u>3,071</u>
Total		<u>\$ 1,150,537</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### (4) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
School Nutrition	General	<u>\$ 620</u>

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 902,602	0	0	902,602
Construction in progress	109,124	31,305	107,115	33,314
Total capital assets not being depreciated	1,011,726	31,305	107,115	935,916
Capital assets being depreciated:				
Buildings	24,684,395	111,795	0	24,796,190
Land improvements	1,176,943	14,270	0	1,191,213
Machinery and equipment	5,073,200	293,389	316,502	5,050,087
Total capital assets being depreciated	30,934,538	419,454	316,502	31,037,490
Less accumulated depreciation for:				
Buildings	7,521,244	451,407	0	7,972,651
Land improvements	741,754	45,804	0	787,558
Machinery and equipment	4,130,638	314,563	309,699	4,135,502
Total accumulated depreciation	12,393,636	811,774	309,699	12,895,711
Total capital assets being depreciated, net	18,540,902	(392,320)	6,803	18,141,779
Governmental activities capital assets, net	\$ 19,552,628	(361,015)	113,918	19,077,695
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 567,935	357,429	0	925,364
Less accumulated depreciation	218,914	74,618	0	293,532
Business-type activities capital assets, net	\$ 349,021	282,811	0	631,832

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$	31,171
Other		14,881

Support services:

Student services		5,416
Instructional staff services		129,480
Administration services		13,371
Operation and maintenance of plant services		31,921
Transportation		88,323

314,563

Unallocated depreciation

497,211

Total governmental activities depreciation expense

\$ 811,774

Business-type activities:

Food services	\$	74,618
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**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 6,240,000	0	435,000	5,805,000	445,000
Revenue bonds	1,507,826	0	832,430	675,396	576,089
Early retirement	987,669	212,130	179,693	1,020,106	309,730
Compensated absences	162,293	153,881	162,293	153,881	153,881
Total	\$ 8,897,788	366,011	1,609,416	7,654,383	1,484,700

General Obligation Bonds Payable

Details of the District's June 30, 2008 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue March 24, 2003		
		Principal	Interest	Total
2009	3.00 %	\$ 445,000	210,076	655,076
2010	3.25	460,000	196,726	656,726
2011	3.30	475,000	181,776	656,776
2012	3.40	490,000	166,100	656,100
2013	3.50	510,000	149,440	659,440
2014-2018	3.60-4.00	2,800,000	457,610	3,257,610
2019	4.00	625,000	25,000	650,000
Total		\$ 5,805,000	1,386,728	7,191,728

## Revenue Bonds Payable

Details of the District's June 30, 2008 revenue bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of December 14, 2006			
	Interest Rates	Principal	Interest	Total
2009	4.90 %	\$ 576,089	13,362	589,451
2010	4.90	99,307	1,358	100,665
Total		\$ 675,396	14,720	690,116

The District has pledged future local option sales and services tax revenues to repay \$675,396 in revenue bonds issued in December 2006. The bonds were issued for the purpose of financing capital facility construction. The revenue bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2010. The revenue bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. The total principal and interest remaining to be paid on the bonds is \$690,116. For the current year, principal of \$832,430 and interest of \$46,253 was paid on the revenue bonds and total local option sales and services tax revenues were \$1,615,803.

## Early Retirement

The District offers a voluntary early retirement plan to its certified and non-certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentives for each eligible employee is governed by the Master Contract between the District and the Keokuk Education Association. Early retirement benefits paid for the year ended June 30, 2008 totaled \$162,293.

## **(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and

2006 were \$781,103, \$691,064 and \$676,351, respectively, equal to the required contributions for each year.

**(8) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs. The District currently has dental insurance only through the Association.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2008 were \$176,792.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$787,957 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Construction Commitments**

The District entered into various contract at estimated total of \$1,650,000 for the High School weight room project and George Washington Elementary addition project. At June 30, 2008, \$33,314 of the contracts were completed. The remaining amounts of the contracts will be paid as work on the project progresses.

**(11) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2008, expenditures in the instruction function exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

KEOKUK COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 8,821,806	859,241	9,681,047	9,515,280	9,515,280	165,767
Intermediate sources	178,312	0	178,312	200,000	200,000	(21,688)
State sources	13,397,397	9,340	13,406,737	12,713,471	12,713,471	693,266
Federal sources	1,250,991	535,029	1,786,020	1,870,000	1,870,000	(83,980)
Total revenues	23,648,506	1,403,610	25,052,116	24,298,751	24,298,751	753,365
Expenditures:						
Instruction	14,192,495	0	14,192,495	13,376,400	13,926,000	(266,495)
Support services	5,905,547	13,290	5,918,837	6,548,100	6,548,100	629,263
Non-instructional programs	445,944	1,644,677	2,090,621	3,085,000	3,085,000	994,379
Other expenditures	2,439,717	0	2,439,717	4,109,108	4,109,108	1,669,391
Total expenditures	22,983,703	1,657,967	24,641,670	27,118,608	27,668,208	3,026,538
Excess(deficiency) of revenues over(under) expenditures	664,803	(254,357)	410,446	(2,819,857)	(3,369,457)	3,779,903
Other financing sources, net	23,281	0	23,281	0	0	23,281
Excess(deficiency) of revenues and other financing sources over(under) expenditures	688,084	(254,357)	433,727	(2,819,857)	(3,369,457)	3,803,184
Balance beginning of year	6,892,839	1,320,983	8,213,822	6,195,082	6,195,082	2,018,740
Balance end of year	\$ 7,580,923	1,066,626	8,647,549	3,375,225	2,825,625	5,821,924

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



KEOKUK COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -- BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District adopted one budget amendment increasing expenditures by \$549,600.

During the year ended June 30, 2008, expenditures in the instruction function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

KEOKUK COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
<b>Assets</b>				
Cash and pooled investments	\$ 258,277	117,699	271,570	647,546
Receivables:				
Property tax:				
Current year delinquent	8,262	0	1,907	10,169
Succeeding year	580,000	0	115,945	695,945
Accounts	295	0	0	295
Due from other governments	45	0	0	45
<b>Total Assets</b>	<b>\$ 846,879</b>	<b>117,699</b>	<b>389,422</b>	<b>1,354,000</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 0	13,868	0	13,868
Deferred revenue:				
Succeeding year property tax	580,000	0	115,945	695,945
	580,000	13,868	115,945	709,813
Fund balances:				
Unreserved:				
Undesignated	266,879	103,831	273,477	644,187
Total fund balances	266,879	103,831	273,477	644,187
<b>Total Liabilities and Fund Balances</b>	<b>\$ 846,879</b>	<b>117,699</b>	<b>389,422</b>	<b>1,354,000</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	Nonmajor Special Revenue Funds				
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	School- house 67.5	Total Special Revenue Funds
Revenues:					
Local sources:					
Local tax	\$ 525,644	0	116,172	0	641,816
Other	34,613	487,270	20,072	559	542,514
Total revenues	560,257	487,270	136,244	559	1,184,330
Expenditures:					
Current:					
Instruction:					
Regular instruction	296,242	0	0	0	296,242
Other instruction	0	477,922	0	0	477,922
	296,242	477,922	0	0	774,164
Support services:					
Administration services	50,020	0	0	0	50,020
Operation and maintenance of plant services	146,882	0	18,790	0	165,672
Transportation services	29,384	0	21,082	0	50,466
	226,286	0	39,872	0	266,158
Other expenditures:					
Facilities acquisition	0	0	52,299	16,314	68,613
Total expenditures	522,528	477,922	92,171	16,314	1,108,935
Excess(deficiency) of revenues over(under) expenditures	37,729	9,348	44,073	(15,755)	75,395
Other financing sources(uses):					
Transfers in	0	0	3,071	0	3,071
Transfers out	0	0	0	(3,071)	(3,071)
Total other financing sources(uses)	0	0	3,071	(3,071)	0
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	37,729	9,348	47,144	(18,826)	75,395
Fund balance beginning of year	229,150	94,483	226,333	18,826	568,792
Fund balance end of year	\$ 266,879	103,831	273,477	0	644,187

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS interest earned	\$ 52	0	0	52
HS drama	1,576	4,487	4,455	1,608
HS speech	1,580	4,251	4,376	1,455
HS show choir	755	7,154	3,986	3,923
HS vocal music	1,285	3,064	3,865	484
HS instrument music	1,334	3,033	3,131	1,236
HS winterguard	648	2,214	1,802	1,060
HS athletics	0	50	50	0
HS tournaments	164	64,115	62,462	1,817
HS booster resale	0	64,240	64,240	0
HS cross country	751	3,430	3,254	927
HS boys basketball	624	9,082	9,110	596
HS football	2,751	24,310	27,061	0
HS soccer	3,441	6,208	6,276	3,373
HS baseball	391	12,417	12,782	26
HS boys track	1,456	3,730	4,116	1,070
HS boys tennis	1,028	3,026	2,068	1,986
HS boys golf	731	2,573	1,725	1,579
HS boys swimming	376	0	376	0
HS wrestling	2,915	9,393	8,655	3,653
HS girls basketball	158	9,620	4,549	5,229
HS volleyball	1,017	3,724	3,901	840
HS girls soccer	1,925	3,000	3,430	1,495
HS softball	2,937	7,949	9,332	1,554
HS girls track	6,313	13,399	13,895	5,817
HS girls tennis	901	2,139	2,370	670
HS girls golf	546	1,828	1,610	764
HS girls swimming	925	2,041	1,876	1,090
HS yearbook	5,438	11,725	13,795	3,368
HS general	3,016	6,272	8,831	457
HS FHA	743	0	0	743
HS student newspaper	0	1,640	1,640	0
HS fallon student	2,643	0	129	2,514
HS science	0	2,125	1,195	930
HS student council	1,242	8,456	6,586	3,112
HS national honor society	12	2,191	1,631	572
HS french club	581	1,437	460	1,558
HS spanish club	1,878	828	1,121	1,585
HS class of 2007	915	109	1,024	0
HS class of 2008	3,701	679	2,465	1,915
HS class of 2009	3,186	1,740	2,765	2,161
HS class of 2010	1,532	2,246	1,137	2,641
HS class of 2011	250	1,007	63	1,194
HS class of 2012	0	250	0	250

KEOKUK COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS special education club	406	245	224	427
HS friends of rachel club	0	1,195	1,020	175
HS athletics	3,336	10,843	11,410	2,769
HS special athletics	147	0	0	147
HS weight room	5,204	298	2,877	2,625
HS student activity	0	21,135	18,134	3,001
HS concessions	4,096	68,195	71,511	780
HS little feather	427	17,998	16,615	1,810
HS cheerleaders	77	11,079	8,665	2,491
HS special needs friends	687	245	0	932
HS bowling	1,368	491	46	1,813
HS gaming	0	180	180	0
HS jets	388	212	0	600
HS learning center	2,843	361	714	2,490
HS SADD	129	60	0	189
MS vocal music	3,475	2,928	2,357	4,046
MS instrument music	1,105	7,853	7,716	1,242
MS cross country	150	0	0	150
MS boys basketball	286	2,010	2,083	213
MS football	366	3,344	3,710	0
MS soccer	1,582	276	858	1,000
MS boys track	0	1,529	1,457	72
MS wrestling	0	568	416	152
MS girls basketball	222	1,883	1,845	260
MS volleyball	887	2,483	2,570	800
MS softball	524	759	981	302
MS girls track	331	696	1,022	5
MS yearbook	922	3,451	834	3,539
MS lit project	0	2,471	2,471	0
MS math contests	355	92	447	0
MS SPED club	164	461	483	142
MS student athletes	729	3,155	1,459	2,425
MS student activities	1,148	9,151	7,756	2,543
MS cheerleaders	559	0	0	559
MS interest checking	0	441	441	0
HS softball fundraiser	853	0	25	828
Total	\$ 94,483	487,270	477,922	103,831

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
FIDUCIARY FUND, PRIVATE PURPOSE TRUST  
JUNE 30, 2008

Private Purpose Trust - Scholarship Fund													
		William Aldrick Trust	Elizabeth Wilson Leake Award	Maud Marshall Hassall	WM J Sigmund Memorial	Edna Sears Trust	Wilber Erickson	Edna Meirotto	Edna Meirotto	Ming Chung	Total		
ASSETS	Black Sims Kilborne Prize Award	561	10,011	3,908	14,028	11,166	8,447	7,139	6,913	10,396	10,439	22,079	105,087
		561	10,011	3,908	14,028	11,166	8,447	7,139	6,913	10,396	10,439	22,079	105,087
CASH AND POOLED INVESTMENTS		0	0	0	0	0	0	0	0	0	0	0	0
TOTAL ASSETS													
LIABILITIES													
NET ASSETS													
	Reserved for scholarships	561	10,011	3,908	14,028	11,166	8,447	7,139	6,913	10,396	10,439	22,079	105,087

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FIDUCIARY FUND, PRIVATE PURPOSE TRUST  
YEAR ENDED JUNE 30, 2008

Private Purpose Trust - Scholarship Fund														
	William Aldrick Trust	Elizabeth Wilson Leake Award	Maud Marshall Hassall	Wm J Sigmund Memorial	Edna Sears Trust	Wilber Erickson	Edna Meirotto	Edna Meirotto	Ming Chung	Webb Scholarship	Blood Center Scholarship	Total		
Local sources:														
Gifts and contributions	0	0	0	0	0	0	0	0	0	500	334	834		
Interest income	25	475	675	429	325	244	252	334	353	712	0	4,010		
	25	475	675	429	325	244	252	334	353	712	500	4,844		
DEDUCTIONS:														
Instruction:														
Regular instruction:														
Scholarships awarded	0	353	336	437	327	245	0	293	293	750	500	3,918		
Changes in net assets	25	122	339	(8)	(2)	(1)	252	41	60	(38)	0	926		
Net assets beginning of year	536	9,889	3,772	13,689	8,449	7,140	6,661	10,355	10,379	22,117	0	104,161		
Net assets end of year	\$ 561	10,011	3,908	14,028	11,166	8,447	7,139	6,913	10,396	10,439	0	105,087		

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



KEOKUK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUND TYPES  
FOR THE LAST NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Revenues:</b>									
Local sources:									
Local tax	\$ 7,606,715	7,855,095	7,274,081	7,376,009	7,560,279	7,835,340	7,942,449	7,161,434	5,690,141
Tuition	245,438	198,968	145,239	104,514	132,977	79,151	80,341	93,049	94,832
Other	969,653	1,054,607	812,557	665,075	738,371	965,510	1,435,570	1,670,068	1,283,902
Intermediate sources	178,312	210,708	237,966	248,905	17,335	0	0	1,250	500
State sources	13,397,397	12,272,932	11,526,565	10,542,467	9,658,197	9,529,374	9,377,292	9,931,546	9,483,071
Federal sources	1,250,991	1,746,675	1,981,714	3,155,731	2,281,121	2,300,586	1,910,262	1,982,199	878,845
<b>Total</b>	<b>\$ 23,648,506</b>	<b>23,338,985</b>	<b>21,978,122</b>	<b>22,092,701</b>	<b>20,388,280</b>	<b>20,709,961</b>	<b>20,745,914</b>	<b>20,839,546</b>	<b>17,431,291</b>
<b>Expenditures:</b>									
Instruction:									
Regular instruction	\$ 8,464,617	7,943,690	7,535,015	7,564,211	7,201,553	7,204,922	6,480,648	6,676,332	7,413,894
Special instruction	3,522,222	3,100,955	2,937,092	2,551,755	3,174,324	2,948,706	2,900,575	2,952,624	2,493,147
Other instruction	2,205,656	2,079,130	1,927,481	2,020,546	1,112,618	1,130,085	1,300,509	1,353,754	1,435,067
Support services:									
Student services	775,847	657,577	743,239	697,915	715,383	766,190	732,079	699,214	733,305
Instructional staff services	496,602	517,981	522,756	420,808	421,299	399,603	538,396	449,894	439,467
Administration services	2,243,438	2,230,343	2,140,048	1,947,395	1,834,299	1,709,331	1,773,559	1,614,758	1,268,588
Operation and maintenance of plant services	1,860,690	1,799,722	1,889,550	1,814,974	1,749,993	1,547,588	1,676,518	1,494,943	1,298,350
Transportation services	528,970	586,770	598,332	419,753	440,308	525,785	490,994	370,457	429,117
Other support services	0	0	0	0	767	0	0	0	0
Non-instructional	445,944	541,631	695,083	916,281	828,507	799,318	757,623	56,156	58,752
Other expenditures:									
Facilities acquisitions	114,951	498,588	293,180	2,028,641	636,168	4,007,977	8,503,240	4,215,925	336,149
Long Term Debt:									
Principal	1,267,430	4,059,453	1,135,000	1,095,000	1,050,000	1,010,000	995,000	780,000	135,000
Interest	269,379	430,057	441,233	487,442	531,523	989,078	768,703	865,606	17,654
AEA flow-through	787,957	760,033	722,398	660,304	645,987	667,716	672,452	707,206	691,932
<b>Total</b>	<b>\$ 22,983,703</b>	<b>25,205,930</b>	<b>21,581,007</b>	<b>22,625,025</b>	<b>20,342,729</b>	<b>23,706,299</b>	<b>27,590,296</b>	<b>22,236,869</b>	<b>16,750,422</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 08	\$ 276,512
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 08	75,821
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 08	418,297 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 08	1,589
			<u>495,707</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 08	<u>39,302</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	3312-G	<u>571,608</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 08	<u>19,056</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES(TITLE V PROGRAM)	84.298	FY 08	<u>4,431</u>
COMPREHENSIVE SCHOOL REFORM DEMONSTRATION	84.332A	FY 08	<u>48,412</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 07	<u>149,147</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 07	<u>14,847</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 07	<u>131,588</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 07	<u>35,390</u>
TOTAL			<u>\$ 1,786,000</u>

\* includes \$52,789 in non-cash awards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Keokuk Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
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Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Keokuk Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Keokuk Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 27, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Keokuk Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Keokuk Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Keokuk Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Keokuk Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Keokuk Community School District's financial statements that is more than inconsequential will not be prevented or detected by Keokuk Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keokuk Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Keokuk Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Keokuk Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Keokuk Community School District and other parties to whom Keokuk Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Keokuk Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2009

**NOLTE, CORNMAN & JOHNSON P.C.**  
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Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Keokuk Community School District

Compliance

We have audited the compliance of Keokuk Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Keokuk Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Keokuk Community School District's management. Our responsibility is to express an opinion on Keokuk Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Keokuk Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Keokuk Community School District's compliance with those requirements.

In our opinion, Keokuk Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Keokuk Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Keokuk Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Keokuk Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined above. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Keokuk Community School District and other parties to whom Keokuk Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2009

KEOKUK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, none of which are a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over each major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
  - Clustered
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.559 - Summer Food Service Program for Children
  - Individual
    - CFDA Number 84.010 - Title I - Grants to Local Education Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Keokuk Community School District did not qualify as a low-risk auditee.

KEOKUK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- II-A-08 Supporting Documents for Payments to Officials - Payments made to officials from the Student Activity fund do not have supporting documentation.

Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid the night of the game, after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The District should have a policy and officials should be informed that payment will be made in this manner unless a valid contract exists.

Recommendation - The copy of the contract made for each official should be used as the support document for payment. In absence of a valid contract, officials should be paid after the event. The documentation necessary to pay for non-contract individuals should be identified and retained.

Response - Copies of the contracts are being attached as support documentation for payment.

Conclusion - Response accepted.

- II-B-08 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the general fund. The district should receipt rent collected for facility usage into the general fund.

Response - We will allocate income for rental of facilities to the General Fund.

Conclusion - Response accepted.

- II-C-08 Timely Deposits and Detailed Deposit Slips - We noted during our audit that deposits for the Student Activity Fund were prepared but may not be taken to the bank for deposit until several days later. In addition, we also noted during our audit that there were no details listed on the deposit slips for the all funds.

Recommendation - All receipts should be deposited when received. The District should review procedures to ensure that the deposits are made timely. Detail deposit slips should be maintained. Detail documentation should include name of payee and check number or the receipt number.

Response - We are making every attempt to deposit funds timely. We are now maintaining detail deposit slips.



Conclusion - Response accepted.

II-D-08 Late Fees - We noted during our audit that the District is paying credit card late fees.

Recommendation - The District should pay the bill before the bill generates a late fee. The District should review their board policy 803.5 in regards to payment for goods and services.

Response - We will pay the credit cards timely to avoid late fees.

Conclusion - Response accepted.

II-E-08 Scholarships in the Student Activity Fund - We noted during our audit that the District paid for a scholarship out of the Student Activity Fund.

Recommendation - The District should pay for scholarships from the Fiduciary, Private Purpose Trust Fund.

Response - All scholarships will be paid from the Private Purpose Trust Fund.

Conclusion - Response accepted.

KEOKUK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

KEOKUK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget - Expenditures for the year ended June 30, 2008 exceeded the amended certified budget amount in the instruction function.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will amend the budget in the future.

Conclusion - Response accepted.

IV-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.